GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:6196
ANSWERED ON:27.04.2001
MONEY MARKET
Y.S. VIVEKANANDA REDDY

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India is conducting enquiries tocheck whether funds from either the money markets or the cooperative banks have made their way to the capital market which is going through a payments crisis following a collapse in share prices;

(b) if so, whether the Reserve Bank of India had sought details of money market borrowings by foreign banks;

(c) to what extent the foreign banks have been able to provide many market positions to RBI;

(d) whether the RBI has also sought specificdetails about the advances granted against share to stock brokers, corporate banks and individuals; and

(e) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) Investigations carried out by Reserve Bankof India (RBI) have established that MadhavpuraMercantile Cooperative Bank Ltd., Ahmedabad granted unauthorised credit facilities to companies/firms connected with stock brokers amounting to about Rs. 1030 crores. The funds were released by the cooperative bank disregarding RBI Regulationsand norms of not granting advances to stock brokers. Besides, the bank has also raised Rs. 197 crores from various banks in the call money market to meet its payments.

(b) & (c): RBI has intimated that it has beencollecting data on the borrowing and lending operations in call, notice and term money market from all banks, including foreign banks, from mid 1997. All foreign banks have been regularly supplying information on their borrowings and lending in the call, notice and term money markets to RBI.

(d) & (e): RBI has collected data from scheduledcommercial banks in respect of advances against shares to stock brokers, individuals and other borrowers. The data, as of February 28th, 2001, is as follows:

(Rs. crores)

Individuals	1120.33
Stock Brokers	2316.47
Market makers	1.42
IPO financing	81.43
Other borrowers	1096.22
Guarantees	3745.27
Total Exposure	8361.14